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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - PALO VERDE UTILITIES COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. SW-20445A-09-0077

IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY - GREATER BUCKEYE DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-02451A-09-0078

IN THE MATTER OF THE APPLICATION OF WILLOW VALLEY WATER CO. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-01732A-09-0079

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - SANTA CRUZ WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-20446A-09-0080

IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF GREATER TONOPAH FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-02450A-09-0081

**NOTICE OF FILING
RATE DESIGN
REJOINER TESTIMONY**

Arizona Corporation Commission

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1 IN THE MATTER OF THE APPLICATION OF
2 VALENCIA WATER COMPANY – TOWN DIVISION
3 FOR THE ESTABLISHMENT OF JUST AND
4 REASONABLE RATES AND CHARGES FOR UTILITY
5 SERVICE DESIGNED TO REALIZE A REASONABLE
6 RATE OF RETURN ON THE FAIR VALUE OF ITS
7 PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-01212A-09-0082

**NOTICE OF FILING
RATE DESIGN
REJOINDER TESTIMONY**

8 Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water
9 Company, Valencia Water Company – Town Division, Valencia Water Company – Greater
10 Buckeye Division, Water Utility of Greater Tonopah and Willow Valley Water Co. (collectively,
11 the “Global Utilities”) file the Rate Design Rejoinder Testimony of Graham S. Symmonds.

12 RESPECTFULLY SUBMITTED this 11th day of December 2009.

13 ROSHKA DEWULF & PATTEN, PLC

14 By 

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By Debbie Arnold

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DOCKET NOs. SW-02445A-09-0077 *et al.*

**Rate Design Rejoinder Testimony
of
Graham S. Symmonds**

December 11, 2009

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I. Introduction1
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1 **I. Introduction**

2 **Q. Can you outline your Rate Design Rejoinder Testimony?**

3 A. My rejoinder is primarily related to the philosophy of rate design, those areas where I
4 believe we as an industry can implement practices that incent conservation. I present my
5 view of Staff's proposed recycled water/non-potable groundwater split. I propose a longer,
6 5-year phase in for recycled water rates, and proposed amendments to the Miscellaneous
7 Fees and Charges included in our application.

8
9 **II. Rate Design**

10 **Q. Do you agree with Staff's position of the fixed portion of the rates?**

11 A. No. I believe that it is important to incent conservation while retaining financially sound
12 utilities. Obviously the two extremes on the fixed portion would be: no fixed charge (all
13 volumetric portion); or flat rate (no volumetric portion). With no fixed charge, there is
14 little incentive for the utility to put in place conservation programs. With a flat rate, there
15 is no incentive for the consumer to conserve. We believe that the higher fixed charges
16 proposed in our rate design, coupled with our volumetric rebate, balance those objectives.

17
18 **Q. What is Staff's position?**

19 A. Staff recognizes the flexibility provided by an increased fixed fee, but feels that flexibility
20 restricts the consumers control over their own rates.

21
22 **Q. Do you agree?**

23 A. No. For one thing, the rebate threshold rate structure provides incentive and control to the
24 consumer. Further, large-scale conservation must be spearheaded by the utility. If we take
25 the incentive away from the utility, conservation will suffer. Large-scale Demand-side
26 Management, in my opinion, must be driven by the utility.

27

1 **Q. Staff contends the Rebate Threshold Rate is too complicated. Any thoughts?**

2 A. Neither six-tiers nor the volumetric rebate are complicated concepts. If people can
3 understand time-of-day tariffs, I believe they will have little trouble understanding the
4 Rebate Threshold Rate structure.

5

6 **Q. Neither Staff nor RUCO accept that the volumetric rebate is appropriate. What's
7 your position?**

8 A. I still contend that the volumetric rebate satisfies a fundamental conservation program
9 requirement that is to engage the consumer financially. Combined with Global's proven
10 messaging capabilities, I believe this could set a new standard for incenting the consumer.
11 I liken it to feed-in tariffs or net-metering in the electrical utility field. Without those
12 benefits provided to consumers, the investment by consumers in distributed generation
13 would be severely limited.

14

15 **Q. So you continue to believe that the Rebate Threshold Rate with its volumetric rebate,
16 higher fixed portion, and six-tiers is a better rate design?**

17 A. Yes. My rebuttal testimony describes the benefits in detail.

18

19 **Q. What about rate consolidation?**

20 A. Single Tariff Rates, as detailed by Mr. Rowell in his rebuttal testimony achieve a number
21 of policy objectives. And I believe that Staff generally supports those objectives. The
22 fact is that Staff's revenue requirement numbers inappropriately skews the benefit. Absent
23 that action, I believe that Staff would find consolidated rates in the public interest.

24

25 **III. Recycled Water/Non-Potable Water Rate**

26 **Q. Staff proposes a split rate between recycled water and non-potable groundwater.
27 Can you discuss?**

1 A. First, I'm pleased that Staff has recognized that their original proposed and alternate rate
2 designs could have incented the use of non-potable groundwater in lieu of recycled water.
3 Staff has, I believe taken a rather enlightened approach to water pricing by establishing
4 three categories: potable water, non-potable groundwater and recycled water, providing
5 different rates for each.

6
7 Philosophically, I can see the benefit of employing such a rate design, and its associated
8 price signaling. Practically, however, such a rate design would be difficult to implement.
9 The reasons for this are:

- 10 1. In many cases, recycled water and non-potable groundwater are transported via the
11 same infrastructure and use the same meter. This would make the accounting of the
12 water for billing complex.
- 13 2. At present, the consumer does not have the opportunity to choose their non-potable
14 source. That is a decision that is made by the utilities. As a result, the "control" of the
15 source is not in the hands of the consumer.

16
17 While the concept is intriguing, and could certainly convince a consumer to use recycled
18 water over non-potable ground water, the delivery and administration is definitely
19 complicated.

20
21 In addition, to fully implement the infrastructure to make such a demarcation between
22 recycled water and non-potable water manageable would require the installation of yet
23 another set of pipes (potable, sewer, recycled water, non-potable) – or a mechanism to
24 "color-code" the water.

25
26 **Q. What do you propose?**

27

1 A. Faced with the physical impracticalities of implementing such a rate design, I recommend
2 that we continue to have a single rate for recycled water and non-potable groundwater.

3
4 **Q. What should that rate be?**

5 A. That rate should be \$2.00/1000 gallons. This is a rate that has been reviewed and agreed to
6 by RUCO, and as well Staff (in their direct testimony).

7
8 **Q. Do you have any concerns over the impact such rate increase may have on HOAs?**

9 A. Certainly. And we heard many comments to that effect at the Public Comment session
10 held in Maricopa on 1 December 2009.

11
12 **Q. Can you elaborate?**

13 A. As I detailed in my Rejoinder Testimony, we heard that HOA budgets are strained with
14 some of the same pressures we are facing – foreclosed homes and delinquent accounts. In
15 addition, they have statutory limitations on their ability raise assessments.

16
17 Recognizing this, we are now proposing that the recycled water rate be phased in over a
18 period of five years. We appreciate that Staff and RUCO agreed with us on the need for an
19 immediate and substantial increase in reclaimed water rates, but all parties should
20 recognize the dilemma which that increase would create.

21
22 This will accomplish a number of benefits:

- 23 1. It mitigates the immediate impact to HOAs.
24 2. It allows for a more gradual HOA budget impact and allows HOAs to comply with
25 statutory limits on annual increases.
26 3. It provides time for the HOAs to participate in the DSM program to reduce their
27 water use – which will certainly mean the HOA fee increases will be lower.

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- 4. It allows for the community to transition to water efficiency gradually – gathering information, seeking public input, working with community members to create the “right path” for HOA conservation.
- 5. It ensures that there are no knee-jerk reactions that could affect the community aesthetically.

Q. Can you detail the proposal?

A. Yes. We are recommending that the recycled water/non-potable rate be phased in as follows:

Year	Recycled Water/Non-Potable Water \$/1000 gallons
2009	\$0.31
2010	\$0.65
2011	\$0.99
2012	\$1.32
2013	\$1.66
2014	\$2.00

IV. Miscellaneous Fees and Charges

Q. Do Staff and Global agree on some of these tariffs?

- A. Yes. Staff and Global have agreed that the following tariffs are appropriate:
- Customer Meter Exchange Fee (Size)
 - Hydrant Meter Deposit Charge
 - Unauthorized Discharge Fee
 - Source Control Tariff and Charges

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Q. Has Global reconsidered some of the other Miscellaneous Service Charges originally proposed in the application?

A. Yes. While we continue to believe that there are real costs that exist beyond the fees provided by Staff in their rate design, we understand that increasing these fees at this time represents a potential for additional hardship on consumers.

Accordingly, we will stipulate to Staff's proposed fees for:

- Establishment Fees
- After Hours Fees
- Reconnect Fees
- NSF Fees

Q. Are there other changes to Miscellaneous Fees that you feel are still warranted?

A. Yes. We still believe that the following are valid:

- Deposit Interest established at the 1 year CD rate. Staff contends this would be unwieldy. I agree that trying to track individual deposits to specific CD rates that were applicable on the date of receipt would be cumbersome. However, I still feel that the company effectively loses money if the rate is established at 6%. A potential compromise is to establish the deposit rate on 1 January for the entire year. Staff's Rate Design Surrebuttal Testimony contends that rates will be higher at some times and lower at others. However, the intent of the deposit interest is not to make or lose money – it is to ensure that the consumer receives fair benefit for the utility “holding” the money, and to ensure that the utility has access to the full amount in the event of default by the consumer. The 1 year CD rate achieves both of these goals.
- Lock/Security Tab Cutting Charge. As described in my rebuttal testimony, this fee is to recover real costs and bridge the gap between the monetary value of water and

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it's intrinsic value. I contend that the charges that can be recovered from application of AAC R14-2-410 are miniscule in relation to the personnel and administrative costs associated with tampering with the Lock/Security tab.

- Water Theft Tariff. Again, I see that the application of Rule 410, and the recoverable costs cannot make the utility whole.

Q. Are you filing updated schedules that reflect these changes?

A. No. While we recognize there will be some revenue impact associated with these changes, we believe that they are minor, and the impact can be included in the final schedules required at the conclusion of the hearing.